

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name POSEN AREA FIRE AND RESCUE	County PRESQUE ISLE
Fiscal Year End 3/31/06	Opinion Date 2/11/07	Date Audit Report Submitted to State 6/18/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

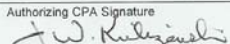
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	NONE	
Certified Public Accountant (Firm Name) JW KIELISZEWSKI CPA PC		Telephone Number 989-734-4844	
Street Address 476 NORTH THIRD STREET		City ROGERS CITY	State MI
Authorizing CPA Signature 		Printed Name J W KIELISZEWSKI	License Number 1101010056

POSEN AREA FIRE AND RESCUE

**Report on Financial Statements
For the Fiscal Year Ended March 31, 2006**

POSEN AREA FIRE AND RESCUE

TABLE OF CONTENTS

Auditing Procedures Report.....	1
Independent Auditor's Report.....	4-5
Management's Discussion and Analysis.....	6-8
Basic Financial Statements	
Governmental Funds Balance sheet / Statement of Net Assets.....	10
Statement of Governmental Funds Revenues, Expenditures and Changes in Fund Balances / Statement of Activities.....	11
Notes to Financial Statements.....	12-17
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund.....	18
Report on Compliance and Internal Control.....	19-20
Letter of Comments and Recommendations.....	21-22

INDEPENDENT AUDITOR'S REPORT

Posen Area Fire and Rescue
Board of Directors
12805 Green Road
Posen, Michigan 49776

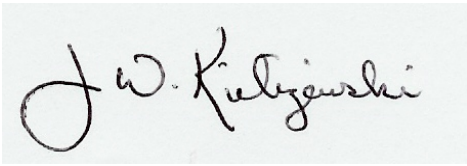
I have audited the accompanying financial statements of the governmental activities and major fund of Posen Area Fire and Rescue as of and for the year ended March 31, 2006, which collectively comprise the department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Posen Area Fire and Rescue's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the respective financial position of the governmental activities and major fund of Posen Area Fire and Rescue, as of March 31, 2006, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the

supplementary information. However, I did not audit the information and express no opinion on it.

A handwritten signature in black ink, reading "J.W. Kieliszewski". The signature is written in a cursive style with a large, looped initial "J".

J.W. Kieliszewski, CPA, PC
February 11, 2007

POSEN AREA FIRE AND RESCUE

Management's Discussion and Analysis

This section of the Department's annual financial report presents our discussion and analysis of the Department's financial performance during the fiscal year ended March 31, 2006. Please read it in conjunction with the financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Department as a whole and present a longer-term view of the Department's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Department's operations in more detail than the government-wide financial statements.

FINANCIAL HIGHLIGHTS

Assets at March 31, 2006 totaled \$131,963 for governmental activities. Of the total, \$124,496 represents capital assets, net of depreciation.

Revenues derived from governmental activities were \$44,784 (\$42,490 from program revenues and \$2,294 from general revenues). Overall expenditures for the Department's governmental activities were \$48,930.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: (1) management's discussion and analysis (MD&A), (2) the basic financial statements, and (3) required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Department.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities and/or business-type activities. There were no business-type activities for the fiscal year ended March 31, 2006.

The remaining statements are fund financial statements, which focus on the individual parts of the Department in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Department as a whole, using accounting methods used by private companies. The Statement of Net Assets includes all of the Department's assets and liabilities. The Statement of Activities records all of the current year's revenues and expenditures, regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Department's assets and liabilities. This is one method to measure our financial health or position. Over time, increases or decreases in the Department's net assets are an indicator of whether financial position is improving or deteriorating.

To assess the overall health of the Department, additional factors such as tax base changes, facility conditions, and personnel changes may be considered.

Most of the activities of the Department are reported as governmental activities. These would include the operations recorded in the General Fund.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Department's funds, focusing on significant (major) funds, not the Department as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Board may also create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Department has the following types of funds:

Governmental Funds

Most of the Department's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note the differences between the Department's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

The Department maintains only one individual governmental fund, a General Fund, which we consider to be a major fund. This fund is financed primarily by property tax revenue and state shared revenues.

Fiduciary Funds

The Department acts as a trustee or fiduciary and is responsible for insuring that the assets of these activities are collected and disbursed to the respective entities to which the funds belong. The Department maintains these funds and is responsible for insuring that the assets of these activities are spent for their intended purpose and at the direction of those individuals or organizations to which the funds belong. These activities do not appear in the Department's government-wide financial statements since the assets do not belong to the Department. The Department maintains a Tax Collection Fund in this category.

FUND ANALYSIS OF THE DEPARTMENT AS A WHOLE

Net Assets

The Department's governmental activities net assets decreased approximately \$4,146 during the year, to total \$131,963.

FINANCIAL ANALYSIS OF THE DEPARTMENT'S FUNDS

Governmental Activities

The general activities remained consistent, and Department continued to provide the same services to its residents: fire protection and rescue services.

Capital Asset Administration

At March 31, 2006, the Department had \$124,496 in capital assets, including the vehicle and equipment.

CONTACTING THE DEPARTMENT MANAGEMENT

The financial report is designed to provide our citizens, creditors, investors, and customers with a general overview of our finances and to demonstrate our accountability for revenues received. If you have any questions concerning this report, or need additional information, please contact the Clerk/Treasurer at 989/766-2293.

Basic Financial Statements

POSEN AREA FIRE AND RESCUE

Governmental Funds Balance Sheet / Statement of Net Assets

March 31, 2006

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
ASSETS			
Cash	\$ 7,467	\$ -	\$ 7,467
Capital assets (net of depreciation)	<u>-</u>	<u>124,496</u>	<u>124,496</u> ¹
Total Assets	<u>\$ 7,467</u>	<u>\$ 124,496</u>	<u>\$ 131,963</u>
LIABILITIES			
Accounts Payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCES / NET ASSETS			
Fund balance - reserved for public safety	<u>7,467</u>	<u>(7,467)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 7,467</u>	<u>\$ (7,467)</u>	<u>\$ -</u>
Net Assets:			
Invested in capital assets, net of related debt		\$ 124,496	\$ 124,496
Restricted for fire protection		<u>7,467</u>	<u>7,467</u>
Total Net Assets		<u>\$ 131,963</u>	<u>\$ 131,963</u>

¹ Capital assets used in governmental activities are not financial resources and are not reported in the governmental (general) fund.

The Notes to Financial Statements are an integral part of this statement.

POSEN ARE FIRE AND RESCUE

**Statement of Governmental Funds Revenues, Expenditures, and Changes in Fund
Balance / Statement of Activities**

For the Year Ended March 31, 2006

	General Fund	Adjustments	Statement of Activities
Revenues:			
Local unit contributions	\$ 42,490	\$ -	\$ 42,490
Other	<u>2,294</u>	<u>-</u>	<u>2,294</u>
Total Revenues	<u>44,784</u>	<u>-</u>	<u>44,784</u>
Expenditures:			
Current:			
Salaries and wages	8,804	-	8,804
Rent	4,800	-	4,800
Retirement	842	-	842
Supplies	3,756	-	3,756
Maintenance	5,043	-	5,043
Capital outlay	4,786	(3,840) ¹	946
Contracted services	1,645	-	1,645
Training, membership and dues	476	-	476
Utilities	2,181	-	2,181
Insurance	9,817	-	9,817
Depreciation	<u>-</u>	<u>10,620</u> ¹	<u>10,620</u>
Total Expenditures	<u>42,150</u>	<u>6,780</u>	<u>48,930</u>
Excess of Revenues Over Expenditures/Change in Net Asse	2,634	(6,780)	(4,146)
Fund Balance/Net Assets - April 1	<u>4,833</u>	<u>131,276</u>	<u>136,109</u>
Fund Balance/Net Assets - March 31	<u>\$ 7,467</u>	<u>\$ 124,496</u>	<u>\$ 131,963</u>

¹ Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation. This amount represents current year depreciation expense on capitalized assets.

The Notes to Financial Statements are an integral part of this statement.

POSEN AREA FIRE AND RESCUE

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Posen Area Fire and Rescue is located in Presque Isle County and provides fire protection services to the townships of Krakow, Metz, Posen and Pulawski. The Posen Area Fire and Rescue is governed by a five member board of directors, consisting of a member from each township and one member at large from the Township of Posen by virtue of that township having the largest population of the member townships and that it encompasses the Village of Posen. The board consists of the chairperson, clerk/treasurer, and three trustees, all of whom reside in the respective townships.

A. REPORTING ENTITY

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 “The Financial Reporting Entity,” these financial statements present the Posen Area Fire and Rescue (the “Department”), a separate entity formed under the authority of the Rural Cooperation Act, with its four members being the townships of Krakow, Metz, Posen and Pulawski. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading, if data were not included. Accordingly, there are no other governmental organizations required to be included in the financial statements of the Posen Area Fire and Rescue.

Blended Component Unit – The Department has no blended component units.

Discretely Presented Component Unit – The Department has no discretely presented component units.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Separate columns are included in the financial statement for the government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) and the fund financial statements, which present the sole governmental (General) fund of the Department.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The Department reports the following major governmental fund:

General Fund

The General Fund is the Department's only fund. It accounts for all financial resources of the Department.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

1. Bank Deposits and Investments

The Department's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

2. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the Statement of Net Assets. Capital assets are defined by the Department as assets with an initial individual cost of more than \$250 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Machinery and equipment	5-20
Office furniture and equipment	5-20
Vehicles	10-25

3. **Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. All annual appropriations lapse at fiscal year end.

Before March 31, the proposed budget is presented to the Townships' Boards for review. The Boards hold public hearings and a final budget must be adopted no later than March 31.

The appropriated budget is prepared by fund, function, and line item. The legal level of budgetary control adopted by the governing body is the line item level. Expenditures at this level in excess of amounts budgeted are a violation of Michigan law. Comparisons of actual results of operations as compared to budget for the General Fund are included in the required supplemental information.

B. COMPLIANCE

The Department does not fully comply with the Uniform Chart of Accounts. The Posen Area Fire and Rescue is required to maintain a classification of accounts in accordance with the Uniform Chart of Accounts for Counties and Local Unites of Governments in Michigan issued by the Michigan Department of Treasury, Local Audit and Finance Division, under the authority of Public Act 2 of 1968, as amended, and Public Act 71 of 1919, as amended. This issue is addressed in greater detail in the Letter of Comments and Recommendations to the Board.

NOTE 3 – DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, as amended by Public Act 196 of 1997, authorizes the treasurer to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities, and direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which matures not more than 270 days after the date of purchase; and obligations of the State of Michigan or its political subdivisions which are rated investment grade; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Posen Area Fire and Rescue's deposits are in accordance with statutory authority.

Deposits are carried at cost. Deposits of the Posen Area Fire and Rescue are at one bank in the name of Posen Area Fire and Rescue.

Total deposits and investments and the GASB Statement No. 3, risk disclosures for deposits, are as follows:

	<u>Bank Balance</u>	<u>Book Balance</u>
Cash Deposits		
Insured (FDIC)	\$ 8,187	\$ 7,467
Uninsured	<u>-</u>	<u>-</u>
 Total Imprest Cash and Deposits	 <u>\$ 8,187</u>	 <u>\$ 7,467</u>

B. CAPITAL ASSETS

Capital asset activity of the Department for the current year was as follows:

Governmental Activities	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated				
Machinery and equipment	\$ 32,890	\$ 3,840	\$ -	\$ 36,730
Vehicles	<u>343,971</u>	<u>-</u>	<u>-</u>	<u>343,971</u>
 Subtotal	 <u>376,861</u>	 <u>3,840</u>	 <u>-</u>	 <u>380,701</u>
Less: Accumulated Depreciation for				
Machinery and equipment	234,129	8,052	-	242,181
Vehicles	<u>11,456</u>	<u>2,568</u>	<u>-</u>	<u>14,024</u>
 Subtotal	 <u>245,585</u>	 <u>10,620</u>	 <u>-</u>	 <u>256,205</u>
 Governmental Activities Total				
Capital Assets, net of depreciation	<u>\$131,276</u>	<u>\$ (6,780)</u>	<u>\$ -</u>	<u>\$124,496</u>

Depreciation expense of the Department's governmental activities for the year amounted to \$10,620.

NOTE 4 – RISK MANAGEMENT

The Department is exposed to various risks of loss related to property loss, torts, and errors and omissions. The Department has purchased commercial insurance coverage through various policies for general liability, property, vehicle and workmen's compensation. There were no reductions in the current fiscal year.

NOTE 5 – DEFINED CONTRIBUTION PLAN

The Department provides pension benefits to all of its employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Traveler's Company, the Department contributes 4% of employees' gross earnings and employees contribute 6% of earnings.

In accordance with these requirements, the Department contributed \$337 during the current fiscal year and employees contributed \$505.

Required Supplementary Information

POSEN AREA FIRE AND RESCUE

Required Supplementary Information

Budgetary Comparison Schedule – General Fund For the Year Ended March 31, 2006

	Budgeted Amounts		Actual	Variance to Budget
	Original	Final		
Revenues:				
Local unit contributions	\$ 44,000	\$ 44,000	\$ 42,490	\$ (1,510)
Other	<u>4,000</u>	<u>4,000</u>	<u>2,294</u>	<u>(1,706)</u>
Total Revenues	<u>48,000</u>	<u>48,000</u>	<u>44,784</u>	<u>(3,216)</u>
Expenditures:				
Current:				
Salaries and wages	9,405	9,405	8,804	601
Rent	4,800	4,800	4,800	-
Retirement	1,000	1,000	842	158
Supplies	5,700	5,700	3,756	1,944
Maintenance	5,300	5,300	5,043	257
Capital outlay	6,300	6,300	4,786	1,514
Contracted services	1,945	1,945	1,645	300
Training, membership and dues	900	900	476	424
Utilities	2,650	2,650	2,181	469
Insurance	<u>10,000</u>	<u>10,000</u>	<u>9,817</u>	<u>183</u>
Total Expenditures	<u>48,000</u>	<u>48,000</u>	<u>42,150</u>	<u>5,850</u>
Excess of Revenues Over Expenditures/Change in Net Asse	-	-	2,634	2,634
Fund Balance/Net Assets - April 1	<u>4,833</u>	<u>4,833</u>	<u>4,833</u>	<u>-</u>
Fund Balance/Net Assets - March 31	<u>\$ 4,833</u>	<u>\$ 4,833</u>	<u>\$ 7,467</u>	<u>\$ 2,634</u>

February 11, 2007

Posen Area Fire and Rescue
Board of Directors
12805 Green Road
Posen, Michigan 49776

Re: Report on Compliance and on Internal Control Over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

Dear Board of Directors:

I have audited the financial statements of the Posen Area Fire and Rescue as of and for the fiscal year ended March 31, 2006 and have issued my report thereon dated February 11, 2007. As described in Note 1, the Posen Area Fire and Rescue's policy is to prepare its financial statements on the basis of cash receipts and disbursements. Consequently, certain revenue and the related assets are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred. In conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America.

Compliance

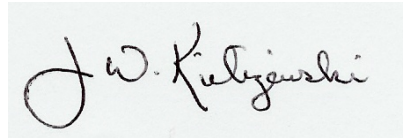
As part of obtaining reasonable assurance about whether Posen Area Fire and Rescue's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit, I consider Posen Area Fire and Rescue's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide

assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components do not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended for the information of management of the Posen Area Fire and Rescue and other regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "J.W. Kieliszewski". The signature is written in a cursive style with a large, looped initial "J".

J.W. Kieliszewski, CPA

February 11, 2007

Posen Area Fire and Rescue
Board of Directors
12805 Green Road
Posen, Michigan 49776

Dear Board of Directors:

I wish to express my appreciation for the fine cooperation extended to me during the audit of your financial statements.

At one of your next regular Board Meetings the audited Financial Statements should be formally accepted and the copy marked for this purpose made a part of your Minute Book. I will plan to attend that meeting and be prepared to make a brief presentation on the audit.

Prior to this audit I obtained written permission from Posen Area Fire and Rescue officials to disclose immediately any findings of suspected fraud and/or embezzlement directly to the Deputy State Treasurer. During the course of the audit I noted no instances of suspected fraud and/or embezzlement.

The following comments and recommendations are submitted in the interest of improved accounting procedures, closer compliance with the various state and federal regulations and requirements.

NONCOMPLIANCE WITH STATUTES AND REGULATIONS

Uniform Chart of Accounts

Posen Area Fire and Rescue does not fully comply with the Uniform Chart of Accounts. The Posen Area Fire and Rescue is required to maintain a classification of accounts in accordance with the Uniform Chart of Accounts for Counties and Local Unites of Governments in Michigan issued by the Michigan Department of Treasury, Local Audit and Finance Division, under the authority of Public Act 2 of 1968, as amended, and Public Act 71 of 1919, as amended.

The primary objective of this classification of accounts is to provide a means for the accumulation of financial information, which will be uniform for all local units. Secondly, the accounts are provided to facilitate the preparation of prescribed reports, such as the F-65. Thirdly, the chart follows generally accepted accounting principles and

Michigan law. A strict adherence to this classification of accounts will assure responsible local officials and the general public that similar transactions are recorded in the same manner, not only within a local unit but also among local units.

I recommend adherence to the Uniform Chart of Accounts and procedures, which will facilitate budgeting, budget management, and financial reporting.

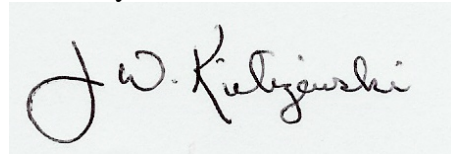
ACCEPTANCE BY BOARD OF AUDITED FINANCIAL STATEMENTS

It is recommended that these Audited Financial Statements and recommendations be accepted by the Board by a motion similar to the following:

“Moved by _____ and seconded by _____ that the 2005-2006 Audited Financial Statements be accepted as presented and that, insofar as possible, the recommendations made by our auditor in his Letter of Comments and Recommendations be followed.”

As indicated, I will plan to attend one of your next regular Board Meetings. Please let me know your preferred date as soon as possible.

Sincerely,

A handwritten signature in black ink, reading "J.W. Kieliszewski". The signature is written in a cursive style with a large initial "J" and "W".

J.W. Kieliszewski, CPA